

Auditing Procedures Report V1.04

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Issued under Public Act 2 of 1968, as amended.

Unit Name	Sherman Township	County	HURON	Type	TOWNSHIP	MuniCode	32-1-250
Opinion Date-Use Calendar	Aug 8, 2008	Audit Submitted-Use Calendar	Aug 15, 2008	Fiscal Year-Use Drop List	2008		

If a local unit of government (authorities & commissions included) is operating within the boundaries of the audited entity and is NOT included in this or any other audit report, nor do they obtain a stand-alone audit, enclose the name(s), address(es), and a description(s) of the authority and/or commission.

Place a check next to each "Yes" or non-applicable question below. Questions left unmarked should be those you wish to answer "No".

<input checked="" type="checkbox"/>	1. Are all required component units/funds/agencies of the local unit included in the financial statements and/or disclosed in the reporting entity notes to the financial statements?
<input checked="" type="checkbox"/>	2. Does the local unit have a positive fund balance in all of its unreserved fund balances/unrestricted net assets?
<input checked="" type="checkbox"/>	3. Were the local unit's actual expenditures within the amounts authorized in the budget?
<input checked="" type="checkbox"/>	4. Is this unit in compliance with the Uniform Chart of Accounts issued by the Department of Treasury?
<input checked="" type="checkbox"/>	5. Did the local unit adopt a budget for all required funds?
<input checked="" type="checkbox"/>	6. Was a public hearing on the budget held in accordance with State statute?
<input checked="" type="checkbox"/>	7. Is the local unit in compliance with the Revised Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, and other guidance as issued by the Local Audit and Finance Division?
<input checked="" type="checkbox"/>	8. Has the local unit distributed tax revenues, that were collected for another taxing unit, timely as required by the general property tax act?
<input checked="" type="checkbox"/>	9. Do all deposits/investments comply with statutory requirements including the adoption of an investment policy?
<input checked="" type="checkbox"/>	10. Is the local unit free of illegal or unauthorized expenditures that came to your attention as defined in the Bulletin for Audits of Local Units of Government in Michigan, as revised (see Appendix H of Bulletin.)
<input checked="" type="checkbox"/>	11. Is the unit free of any indications of fraud or illegal acts that came to your attention during the course of audit that have not been previously communicated to the Local Audit and Finance Division? (If there is such activity, please submit a separate report under separate cover.)
<input checked="" type="checkbox"/>	12. Is the local unit free of repeated reported deficiencies from previous years?
<input checked="" type="checkbox"/>	13. Is the audit opinion unqualified?
	14. If not, what type of opinion is it? <input type="text" value="NA"/>
<input checked="" type="checkbox"/>	15. Has the local unit complied with GASB 34 and other generally accepted accounting principles (GAAP)?
<input checked="" type="checkbox"/>	16. Has the board or council approved all disbursements prior to payment as required by charter or statute?
<input checked="" type="checkbox"/>	17. To your knowledge, were the bank reconciliations that were reviewed performed timely?
<input checked="" type="checkbox"/>	18. Are there reported deficiencies?
<input checked="" type="checkbox"/>	19. If so, was it attached to the audit report?

General Fund Revenue:	\$ 217,252.00
General Fund Expenditure:	\$ 306,223.00
Major Fund Deficit Amount:	\$ 0.00

General Fund Balance:	\$ 257,170.00
Governmental Activities Long-Term Debt (see instructions):	\$ 0.00

We affirm that we are certified public accountants (CPA) licensed to practice in Michigan. We further affirm the above responses have been disclosed in the financial statements, including the notes, or in the Management Letter (Reported deviations).

CPA (First Name)	Donald	Last Name	Kuzak	Ten Digit License Number 1101007059					
CPA Street Address	1242 Sand Beach Road	City	Bad Axe	State	MI	Zip Code	48413	Telephone	+1 (989) 269-9541
CPA Firm Name	Hyzer, Hill, Kuzak & Co., P.C.	Unit's Street Address	4599 Ruth Road	City	Ruth	LU Zip	48470		

TOWNSHIP OF SHERMAN
HURON COUNTY, MICHIGAN

FINANCIAL REPORT

YEAR ENDED MARCH 31, 2008

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HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

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Donald Kuzak

Michael Doerr

Phone: (989) 269-9541 • FAX: (989) 269-6777

INDEPENDENT AUDITORS' REPORT

Members of the Township Board
Township of Sherman
Huron County, Michigan

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Township of Sherman, Huron County, Michigan, as of and for the year ended March 31, 2008, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Township of Sherman, Huron County, Michigan. Our responsibility is to express opinions on these financial statements based on our audit.

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying financial statements do not include a Management's Discussion and Analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statements.

In our opinion, except for the omission of management's discussion and analysis as discussed in the previous paragraph, which results in an incomplete presentation, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major funds, and the aggregate remaining fund information of the Township of Sherman, Huron County, Michigan, as of March 31, 2008, and the respective changes in financial position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

The budgetary comparison information is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Hyzer, Hill, Hughes & Co. P.C.

August 8, 2008

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET ASSETS
MARCH 31, 2008

	Governmental Activities
Assets	
Cash and cash equivalents	\$ 319,214
Certificates of deposit	266,023
Receivables - net of allowance	17,839
Due from other governments	12,500
Due from fiduciary fund	2,782
Capital assets, net	<u>507,259</u>
Total assets	1,125,617
Liabilities	
Accounts payable	<u>-</u>
Total liabilities	-
Net Assets	
Investment in capital assets, net	507,259
Unrestricted	<u>618,358</u>
Total net assets	<u><u>\$ 1,125,617</u></u>

The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF ACTIVITIES
MARCH 31, 2008

Functions/Programs	Expenses	Program Revenues		Net Revenue
		Charges for Services	Operating Grants and Contributions	(Expense) and Change in Net Assets
				Governmental Activities
Primary Government				
Governmental activities:				
General government	\$ 106,285	\$ 32,828	\$ -	\$ (73,457)
Public safety	110,421	-	8,075	(102,346)
Public works	8,632	-	-	(8,632)
Road maintenance	107,793	-	-	(107,793)
Total governmental activities	\$ 333,131	\$ 32,828	\$ 8,075	(292,228)

General revenue:

Property taxes	327,508
Licenses and permits	633
State sources	87,375
Unrestricted investment income	15,517
Miscellaneous revenue	1,660

Total general revenue

432,693

Change in net assets

140,465

Net assets, beginning of year

985,152

Net assets, end of year

\$ 1,125,617

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF SHERMAN

BALANCE SHEET - GOVERNMENTAL FUNDS
MARCH 31, 2008

<u>ASSETS</u>	General Fund	Road Millage Fund	Nonmajor Governmental Funds	Total
Cash	\$ 108,346	\$ 209,860	\$ 1,008	\$ 319,214
Certificates of deposit	129,369	106,681	29,973	266,023
Receivables:				
Delinquent taxes	17,839	-	-	17,839
Due from other governments	12,500	-	-	12,500
Due from other funds	2,782	12,156	1,510	16,448
Total Assets	<u>\$ 270,836</u>	<u>\$ 328,697</u>	<u>\$ 32,491</u>	<u>\$ 632,024</u>
<u>LIABILITIES AND FUND BALANCE</u>				
Liabilities:				
Due to other funds	\$ 13,666	\$ -	\$ -	\$ 13,666
Fund balance:				
Unreserved	257,170	328,697	32,491	618,358
Total liabilities and fund balance	<u>\$ 270,836</u>	<u>\$ 328,697</u>	<u>\$ 32,491</u>	<u>\$ 632,024</u>

The accompanying notes to the financial statements are an integral part of this statement.

RECONCILIATION OF FUND BALANCE ON THE
BALANCE SHEET FOR GOVERNMENTAL FUNDS
TO NET ASSETS OF GOVERNMENTAL ACTIVITIES
ON THE STATEMENT OF NET ASSETS
MARCH 31, 2008

Total fund balance, governmental funds \$ 618,358

Amounts reported for governmental activities in the
statement of net assets are different because:

Capital assets used in governmental activities are not
financial resources and therefore are not reported
in the funds.

Capital assets	885,789	
Accumulated depreciation	<u>(378,530)</u>	<u>507,259</u>
Net assets, governmental activities		<u><u>\$ 1,125,617</u></u>

TOWNSHIP OF SHERMAN

STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
YEAR ENDED MARCH 31, 2008

	General Fund	Road Millage Fund	Nonmajor Governmental Funds	Total
Revenues:				
Taxes	\$ 79,535	\$ 220,556	\$ 27,417	\$ 327,508
Licenses and permits	-	-	633	633
Federal grants	8,075	-	-	8,075
State grants	87,375	-	-	87,375
Charges for services	32,828	-	-	32,828
Interest	7,779	6,430	1,308	15,517
Other revenues	1,660	-	-	1,660
Total revenues	217,252	226,986	29,358	473,596
Expenditures:				
General government	173,319	-	-	173,319
Public safety	124,272	-	645	124,917
Public works	8,632	-	-	8,632
Road maintenance	-	107,793	-	107,793
Total expenditures	306,223	107,793	645	414,661
Excess of revenues over (under) expenditures	(88,971)	119,193	28,713	58,935
Other financing sources (uses):				
Operating transfers in (out)	27,290	-	(27,290)	-
Excess of revenues over (under) expenditures and other financing sources (uses)	(61,681)	119,193	1,423	58,935
Fund balance, beginning of year	318,851	209,504	31,068	559,423
Fund balance, end of year	\$ 257,170	\$ 328,697	\$ 32,491	\$ 618,358

The accompanying notes to the financial statements are an integral part of this statement.

TOWNSHIP OF SHERMAN

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED MARCH 31, 2008

Net change in fund balance, governmental funds \$ 58,935

Amounts reported for governmental activities in the statement of
activities are different because:

Governmental funds report capital outlays as expenditures.
However, in the statement of activities the cost of these
assets are allocated over their estimated useful lives and
reported as depreciation expense.

Capital outlay	144,510	
Depreciation expense	<u>(62,980)</u>	<u>81,530</u>

Change in net assets, governmental activities		<u>\$ 140,465</u>
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The accompanying notes to the financial statements are an integral part of this statement.

STATEMENT OF FIDUCIARY NET ASSETS
MARCH 31, 2008**ASSETS**

Cash and cash equivalents

Current
Tax
Collection
Fund\$ 2,782**LIABILITIES**

Due to other funds

\$ 2,782

The accompanying notes to the financial statements are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Sherman Township of Sherman conform to generally accepted accounting principles (GAAP) as applicable to governmental units. The following is a summary of significant accounting policies used by Sherman Township:

A. Reporting Entity

Sherman Township (the "Township") covers an area of approximately 44 square miles. The township is governed by an elected five-member board. The township provides services to its various residents in many areas, including general government, public safety, public works and road maintenance. As required by GAAP, these financial statements present the Township, which has no component units.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

The Township reports the following major governmental funds:

General Fund - This fund is used to account for all financial resources. Revenues are primarily derived from property taxes, state aid, and charges for services to provide for the administration and operation of: (1) general township governmental departments, boards and commissions; (2) public safety; (3) public works; and (4) road maintenance. The fund includes the general operating expenditures of the Township.

Road Millage Fund – This fund is used to account for the maintenance of the Township's roads.

Additionally, the government reports the following fund types:

Current Tax Collection Fund – This fund is an agency fund used to account for resources held by the Township in a purely custodial capacity. Money in this fund is from current tax and special assessment collections. Timely distribution to the appropriate fund and local unit must be made in accordance with Section 43 of the General Property Tax Act.

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

Amounts reported as program revenue include charges to customers or applicants for goods, services or privileges provided. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

D. Assets, Liabilities, and Net Assets

Bank Deposits and Investments – Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with an original maturity of three months or less when acquired. Investments are stated at fair value.

Receivables and Payables – In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Receivables have been recognized for all significant amounts due to the Township. Allowances for uncollectible accounts have not been provided for in that collection is not considered doubtful and any uncollected amount would be immaterial.

Capital Assets – Capital assets, which include property, plant, and equipment are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Property, plant and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	15 to 40 years
Office equipment and furniture	5 to 10 years
Drains	25 years

Fund Equity – In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

NOTE 2. LEGAL COMPLIANCE

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated.

The Township Clerk prepares and submits the annual budget to the Township Board in March of each year. The Board holds a budget hearing at which time the budget is adopted by resolution. The Board adopts the budget to the line item level and amends the budget late in the fiscal year. The budget is prepared using the cash basis method of accounting whereby revenues are recorded when received and expenditures are recorded when paid.

The approved budget of the Township for the budgetary fund was adopted to the line item level.

NOTE 3. DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Township to deposit and invest in the accounts of federally insured banks, credit unions, and savings and loan associations; bonds, securities and other direct obligations of the United States, or any agency or instrumentality of the United States; United States government or federal agency obligations repurchase agreements; bankers' acceptance of United States banks; commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Sherman Township Board has designated one bank for the deposit of Township funds. The investment policy adopted by the Board in accordance with Public Act 20 of 1943, as amended, has authorized investment in the instruments described in the preceding paragraph. The Township's deposits and investment policy are in accordance with statutory authority.

At year end, the Township's deposits were reported in the basic financial statements in the following categories:

	Governmental Activities	Fiduciary Funds	Total
Cash and cash equivalents	\$ 319,214	\$ 2,782	\$ 321,996
Non-cash equivalents	266,023	-	266,023
Total	<u>\$ 585,237</u>	<u>\$ 2,782</u>	<u>\$ 588,019</u>

Investment and Deposit Risk

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of the failure of a bank failure, the Township's deposits may not be returned. State law does not require and the Township does not have a policy for deposit custodial credit risk; however all of the Township's bank balance of \$590,371 was insured or collateralized; therefore, no balance was exposed to custodial credit risk.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, that the Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. At year end, the Township had no investment activity.

Interest Rate Risk. Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. State law limits the allowable investments and the maturities of some of the allowable investment. The Township's current investments have no potential interest rate risk.

NOTE 4. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

The amounts of interfund receivables and payables as of March 31, 2008 were as follows:

	<u>Interfund Receivable</u>	<u>Interfund Payable</u>
Major Governmental Funds:		
General Fund	\$ 2,782	\$13,666
Road Millage Fund	12,156	-
Nonmajor Governmental Funds:		
Fire Vehicle/Equipment Fund	1,510	-
Agency Fund	<u>-</u>	<u>2,782</u>
Total	<u>\$16,448</u>	<u>\$16,448</u>

Interfund balances result from the time lag between the date the delinquent property taxes are received from the County and the date they are disbursed to the appropriate taxing funds.

Interfund transfers are comprised of the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 27,290	\$ -
Fire Vehicle/Equipment Fund	-	27,290

An interfund transfer was made to repay interfund borrowings.

NOTE 5. PROPERTY TAXES

Property taxes include amounts levied against all real property and tangible personal property located in the Township. Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the County tax rolls. For the current year, the taxable value for properties located within the Township was \$55,853,367. The tax rates were 1.0917 mills for operations, 3.9276 mills for roads and 0.4881 for fire vehicle and equipment fund.

NOTE 6. CAPITAL ASSETS

A summary of capital assets at March 31, 2008, is as follows:

	Balance April 1, 2007	Increases	Decreases	Balance March 31, 2008
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 17,500	\$ -	\$ -	\$ 17,500
Construction in progress	235,576	67,978	(235,576)	67,978
Net capital assets not being depreciated	253,076	67,978	(235,576)	85,478
Capital assets being depreciated				
Buildings	36,576	300,705	-	337,281
Equipment	12,689	-	-	12,689
Fire equipment	438,938	11,403	-	450,341
Subtotal	488,203	312,108	-	800,311
Accumulated depreciation				
Buildings	10,736	8,432	-	19,168
Equipment	12,429	30	-	12,459
Fire equipment	292,385	54,518	-	346,903
Subtotal	315,550	62,980	-	378,530
Net capital assets being depreciated	172,653	249,128	-	421,781
Capital assets - net	\$ 425,729	\$ 317,106	\$ (235,576)	\$ 507,259

Depreciation expense was charged to functions as follows:

Governmental activities

General government	\$ 944
Public safety	62,036
Total	\$ 62,980

NOTE 7. PENSION

The Township of Sherman participates in an employee group pension plan through Manufacturers Life Insurance Company which covers all elected Township board members and supervisory transfer station employees. The Township contributes amounts based on employee's compensation. Contributions must be a minimum of 7.50% of annual compensation. Employees must reimburse the Township for 25% of the contribution and may make additional after tax voluntary contributions. Retirement from the plan may not be earlier than age 55. Normal retirement is age 65, or if later, completion of 10 years of participation in the plan. The original effective date of the plan was March 1, 1970. The expense for pension cost, including administration fees and employee contributions, for the year ended March 31, 2006, was \$5,134. Covered compensation for eligible employees was \$41,460.

NOTE 8. RISK MANAGEMENT

The Township is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; and errors and omissions. The Township purchases commercial insurance coverage for protection against loss.

NOTE 9. COMMITMENTS

The Township is renovating its Township Hall. The project is expected to be finished in the summer of 2008. Construction costs have been funded from available cash reserves and the total cost is estimated at \$76,000. As of March 31, 2008, the Township incurred project costs of \$67,978.

REQUIRED SUPPLEMENTARY INFORMATION

TOWNSHIP OF SHERMAN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Revenues:				
Taxes:				
Tax levy	\$ 61,000	\$ 61,461	\$ 61,461	\$ -
Collection fees	18,000	18,074	18,074	-
Total taxes	79,000	79,535	79,535	-
Federal grants:				
Grant money	8,500	8,500	8,075	(425)
State grants:				
Revenue sharing	78,000	87,375	87,375	-
Charges for services:				
Fire runs	12,000	17,900	17,900	-
Landfill fees	12,500	12,500	12,100	(400)
Miscellaneous	3,000	3,000	2,828	(172)
Total charges for services	27,500	33,400	32,828	(572)
Interest	5,000	7,779	7,779	-
Other revenues:				
Employee pension contribution	1,000	1,000	953	(47)
Refunds	300	300	123	(177)
Other	335	334	32	(302)
Sale of Vehicle	-	552	552	-
Total other revenues	1,635	2,186	1,660	(526)
Total revenues	199,635	218,775	217,252	(1,523)
Other financing sources:				
Operating transfers in	27,000	27,290	27,290	-
Total revenues and other financing sources	226,635	246,065	244,542	(1,523)

TOWNSHIP OF SHERMAN

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
YEAR ENDED MARCH 31, 2008

	Original Budget	Amended Budget	Actual	Variance Favorable (Unfavorable)
Expenditures:				
General government:				
Street lighting	\$ 5,000	\$ 5,000	\$ 4,401	\$ 599
Printing and publishing	1,500	1,500	1,109	391
Drain at large	6,000	6,000	1,425	4,575
Cemetery upkeep	800	800	610	190
Election	500	1,550	1,300	250
Legal and professional	8,000	8,000	5,394	2,606
Utilities	3,000	3,000	2,149	851
Tax bill preparation	8,300	8,300	5,823	2,477
Township hall maintenance	1,000	1,000	790	210
Education and training	2,300	2,300	110	2,190
Supplies	2,925	2,925	1,246	1,679
Dues	1,200	1,200	981	219
Travel	1,385	1,385	530	855
Insurance	25,000	23,093	17,920	5,173
Pension	5,500	5,500	5,134	366
Payroll taxes	3,200	3,200	2,128	1,072
Supervisor's salary and meetings	7,600	7,600	7,175	425
Treasurer's salary	10,500	10,500	10,235	265
Deputy treasurer's salary	300	300	300	-
Clerk's salary	8,500	8,500	8,070	430
Deputy clerk's salary	300	300	300	-
Board of review's salary	900	900	769	131
Trustees' salaries	3,100	3,100	2,750	350
Assessor's salary	11,000	11,000	11,000	-
Transfer station's salary	3,500	3,500	3,035	465
Transfer station upkeep	12,500	12,500	10,657	1,843
Capital outlay	60,000	77,978	67,978	10,000
Contingency	20,000	-	-	-
Total general government	213,810	210,931	173,319	37,612
Public safety:				
Fire protection - operating	50,950	51,356	41,592	9,764
Fire protection - capital	56,100	81,503	79,185	2,318
Ambulance	3,500	3,500	3,495	5
Total public safety	110,550	136,359	124,272	12,087
Public works:				
Road repairs	13,000	9,500	8,632	868
Total expenditures	337,360	356,790	306,223	50,567

SCHEDULE OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
GENERAL FUND (CONTINUED)
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Excess of revenues under expenditures and other financing sources	\$ (110,725)	\$ (110,725)	\$ (61,681)	\$ 49,044
Fund balance, beginning of year	<u>318,851</u>	<u>318,851</u>	<u>318,851</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 208,126</u></u>	<u><u>\$ 208,126</u></u>	<u><u>\$ 257,170</u></u>	<u><u>\$ 49,044</u></u>

SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE –
ROAD MILLAGE FUND
YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Tax levy	\$ 218,400	\$ 220,556	\$ 220,556	\$ -
Interest	<u>4,000</u>	<u>6,430</u>	<u>6,430</u>	<u>-</u>
Total revenues	222,400	226,986	226,986	-
Expenditures:				
Road maintenance	<u>100,000</u>	<u>200,000</u>	<u>107,793</u>	<u>92,207</u>
Excess of revenues over expenditures	122,400	26,986	119,193	92,207
Fund balance, beginning of year	<u>209,504</u>	<u>209,504</u>	<u>209,504</u>	<u>-</u>
Fund balance, end of year	<u><u>\$ 331,904</u></u>	<u><u>\$ 236,490</u></u>	<u><u>\$ 328,697</u></u>	<u><u>\$ 92,207</u></u>

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
MARCH 31, 2008

	<u>Liquor Fund</u>	<u>Fire Truck Replacement Fund</u>	<u>Fire Vehicle/ Equipment Fund</u>	<u>Total</u>
<u>ASSETS</u>				
Cash	\$ -	\$ -	\$ 1,008	\$ 1,008
Certificates of deposit	-	29,973	-	29,973
Due from other funds	-	-	1,510	1,510
	<u>-</u>	<u>-</u>	<u>1,510</u>	<u>1,510</u>
Total assets	<u>\$ -</u>	<u>\$ 29,973</u>	<u>\$ 2,518</u>	<u>\$ 32,491</u>
<u>LIABILITIES & FUND EQUITY</u>				
Fund balances:				
Unreserved	<u>\$ -</u>	<u>\$ 29,973</u>	<u>\$ 2,518</u>	<u>\$ 32,491</u>
Total liabilities and fund equity	<u>\$ -</u>	<u>\$ 29,973</u>	<u>\$ 2,518</u>	<u>\$ 32,491</u>

TOWNSHIP OF SHERMAN

NONMAJOR GOVERNMENTAL FUNDS
 COMBINING STATEMENT OF REVENUES,
 EXPENDITURES AND CHANGE IN FUND BALANCE
 YEAR ENDED MARCH 31, 2008

	Liquor Fund	Fire Truck Replacement Fund	Fire Vehicle/ Equipment Fund	Total
Revenues:				
Taxes	\$ -	\$ -	\$ 27,417	\$ 27,417
Licenses and permits	633	-	-	633
Interest	-	1,262	46	1,308
	<u>-</u>	<u>1,262</u>	<u>46</u>	<u>1,308</u>
Total revenues	633	1,262	27,463	29,358
Expenditures:				
Public safety	633	-	12	645
	<u>633</u>	<u>-</u>	<u>12</u>	<u>645</u>
Excess of revenues over expenditures	-	1,262	27,451	28,713
Other financing sources uses:				
Operating transfers out	-	-	(27,290)	(27,290)
	<u>-</u>	<u>-</u>	<u>(27,290)</u>	<u>(27,290)</u>
Excess of revenues over expenditures and other financing uses	-	1,262	161	1,423
Fund balance, beginning of year	-	28,711	2,357	31,068
	<u>-</u>	<u>28,711</u>	<u>2,357</u>	<u>31,068</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ 29,973</u>	<u>\$ 2,518</u>	<u>\$ 32,491</u>

LIQUOR FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCE – BUDGET AND ACTUAL
 YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Licenses and permits	\$ 976	\$ 976	\$ 633	\$ (343)
Expenditures:				
Public safety	<u>976</u>	<u>976</u>	<u>633</u>	<u>343</u>
Excess of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, beginning of year	-	-	-	-
Fund balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

FIRE TRUCK REPLACEMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCE – BUDGET AND ACTUAL
 YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Interest	\$ 1,265	\$ 1,265	\$ 1,262	\$ (3)
Fund balance, beginning of year	<u>28,711</u>	<u>28,711</u>	<u>28,711</u>	<u>-</u>
Fund balance, end of year	<u>\$ 29,976</u>	<u>\$ 29,976</u>	<u>\$ 29,973</u>	<u>\$ (3)</u>

TOWNSHIP OF SHERMAN

FIRE VEHICLE/EQUIPMENT FUND
 SCHEDULE OF REVENUES, EXPENDITURES AND
 CHANGE IN FUND BALANCE – BUDGET AND ACTUAL
 YEAR ENDED MARCH 31, 2008

	<u>Original Budget</u>	<u>Amended Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues:				
Taxes	\$ 27,200	\$ 27,417	\$ 27,417	\$ -
Interest	<u>35</u>	<u>47</u>	<u>46</u>	<u>(1)</u>
Total revenues	27,235	27,464	27,463	(1)
Expenditures:				
Public safety	<u>-</u>	<u>12</u>	<u>12</u>	<u>-</u>
Excess of revenues over expenditures	27,235	27,452	27,451	(1)
Other financing uses:				
Operating transfers out	<u>(27,000)</u>	<u>(27,290)</u>	<u>(27,290)</u>	<u>-</u>
Excess of revenues over expenditures and other financing uses	235	162	161	(1)
Fund balance, beginning of year	<u>2,357</u>	<u>2,357</u>	<u>2,357</u>	<u>-</u>
Fund balance, end of year	<u>\$ 2,592</u>	<u>\$ 2,519</u>	<u>\$ 2,518</u>	<u>\$ (1)</u>

HYZER, HILL, KUZAK & CO., P.C.

Certified Public Accountants

1242 Sand Beach Road

P.O. Box 326

Bad Axe, MI 48413-0326

Phone: (989) 269-9541 • FAX: (989) 269-6777

Bruce Hill

Donald Kuzak

Michael Doerr

August 8, 2008

Township Board
Sherman Township
Ruth, MI 48470

In planning and performing our audit of the financial statements of Sherman Township (Township) as of and for the year ended March 31, 2008, in accordance with U.S. generally accepted auditing standards. We considered Sherman Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the township's internal control. Accordingly, we do not express an opinion on the effectiveness of the township's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control that we consider to be material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A deficiency in design exists when a control necessary to meet the control objective is missing, or when an existing control is not properly designed so that even if the control operates as designed, the control objective is not always met. A deficiency in operation exists when a properly designed control does not operate as designed or when the person performing the control does not possess the necessary authority or qualifications to perform the control effectively.

A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected.

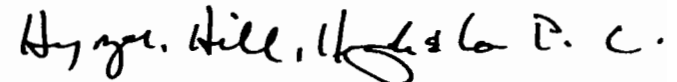
A material weakness is a significant deficiency, or combination of significant deficiencies, that result in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected. We consider the following significant deficiencies to be material weaknesses:

Lack of Township Expertise in Financial Accounting and Reporting

The Township does not have the personnel or procedures in place to prepare financial statements in accordance with U.S. generally accepted accounting principles, including procedures to record revenue and expenditure accruals, and changes in capital assets, and to present required financial statement disclosures.

This report is intended solely for the information and use of the Township Board, management and others within the township and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

A handwritten signature in black ink, appearing to read "Hyzer, Hill, Kuzak & Co. P.C.", written in a cursive style.

Hyzer, Hill, Kuzak & Co., P.C.